

VZCZCXRO9223
RR RUEHAG RUEHAST RUEHDA RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA RUEHLN
RUEHLZ RUEHNP RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHSK #0022/01 0161721
ZNR UUUUU ZZH
R 161721Z JAN 09
FM AMEMBASSY MINSK
TO RUEHC/SECSTATE WASHDC 0068
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHSK/AMEMBASSY MINSK 0069

UNCLAS SECTION 01 OF 04 MINSK 000022

SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [PHUM](#) [ECON](#) [ENRG](#) [BO](#)
SUBJECT: BELARUS BI-WEEKLY POL/ECON REPORT - JANUARY 16, 2009

MINSK 00000022 001.2 OF 004

¶1. The following are brief items of interest compiled by Embassy Minsk.

TABLE OF CONTENTS

Civil Society

- Independent Newspaper Denied Print, Distribution, then Fined (para. 2)
- Grodno Activists Detained and Searched (para. 3)
- Brest Activists Detained (para. 4)
- Local Independent Trade Union Office Registered (para. 5)
- New Life Church Denied Confiscation Appeal (para. 6)
- Kurapaty Vandalism Case Closed (para. 7)
- Opposition Youth Briefly Detained over Flash Mob (para. 8)
- Christian Democrat Expelled (para. 9)
- Neo-Nazi Activist Sentenced to Jail (para. 10)
- Court Dismissed Opposition Youth Activist's Appeal (para. 11)
- Malady Front Leader Forcibly Drafted (para. 12)
- Malady Front Activist Wanted for Draft Evasion (para. 13)

Domestic Economy

- Hard Currency Reserves Down 26.8 Percent in 2008 (para. 14)
- National Bank Increases Refinance Rate from 12 to 14 Percent (para. 15)
- Retail Prices on Most Imported Products up 20 Percent (para. 16)
- National Bank Dismisses Redenomination and Other Rumors (para. 17)
- Belaruskaliy Urges Workers to Take Partially Paid Leave (para. 18)
- Lukashenka claims Venezuela issued USD 0.5 billion loan to Belarus (para. 19)
- GOB GDP Forecasts Differ From IMF Estimates (para. 20)

Foreign Trade

- Natural Gas Transit Facilities Operate at Full Capacity (para. 21)
- Lukashenka and Gazprom Optimistic About Natural Gas Price in 2009 (para. 22)

Quote of the Week (para. 23)

Civil Society

¶2. Independent Newspaper Denied Print, Distribution, then Fined

On January 3, a Minsk-based private publishing company

unilaterally terminated an agreement to print the independent newspaper Borisovskiye Novosti, allegedly because of the global financial crisis. Borisov local authorities also revoked the newspaper's license for retail trade on December 30. The editors will also be unable to distribute the newspaper since it has been long banned from state-owned subscription and sales networks. Chief editor Anatoliy Bukas filed a lawsuit to challenge what he called "an ungrounded ban."

The Minsk Oblast Economic Court fined Bukas USD 18,000 on January 13. The administrative charges of "illegal business activities" stemmed from a December tax inspection report citing retail trade violations. Bukas said that he will appeal the "politically motivated" fine to a higher court.

13. Grodno Activists Detained and Searched

Border guards briefly detained and thoroughly searched human rights activist Viktor Sazonov and independent journalist Vladimir Khilmanovich at the Grodno train station on January 5. Law enforcers explained that the two activists are on "a special BKGB list." Sazonov called prolonged searches "a provocation" and linked them with the activists' professional activities.

14. Brest Activists Detained

Police detained Malady Front (MF) activists Yury Bakura and Roman Kislyak for two hours as they distributed news bulletins in central Brest on December 31. Police seized all copies of the bulletin and released the two without charge.

15. Local Independent Trade Union Office Registered

Viktor Kozlov, a representative of the Rechitsa-based office of the Independent Radio and Electronics Industry Workers Trade Union, informed the media on January 7 that Rechitsa city authorities officially registered the office in late December.

MINSK 00000022 002.2 OF 004

They had previously turned down two registration applications, citing various reasons, and the court had dismissed the trade unionists' appeals.

16. New Life Church Denied Confiscation Appeal

On January 13, the Supreme Economic Court dismissed the New Life Church's appeal challenging Minsk city authorities' confiscation and scant reimbursement for its land and prayer house. The Court had suspended the case hearings for over 18 months, and the Church plans to appeal the recent verdict yet again.

17. Kurapaty Vandalism Case Closed

Police closed January 12 a criminal case against two youth detained for vandalism at the Stalin-era mass murder Kurapaty site on November 1, 2008, due to "lack of evidence." Meanwhile, the investigation, launched on November 11, 2008, of the demolition of memorial crosses at the site, continues. No suspects have yet been identified.

18. Opposition Youth Briefly Detained over Flash Mob

Police detained for two hours three European Belarus campaign activists for holding a flash mob and handing out buckwheat in central Minsk on January 12. The activists were protesting GOB's "irresponsible" policies in tackling the global financial crisis and were "providing fellow residents with nutritious food." Police confiscated about 15 kilograms of buckwheat and released the activists without charge.

19. Christian Democrat Expelled

Rechitsa-based Belarusian Christian Democracy coordinator Aleksey Zmushko informed the media on January 13 that he was expelled from a university in the town of Gorki on December 24, 2008. The university administration alleged "academic failures"

as the reason for his expulsion and implied that he was a member of "the wrong party." Zmushko linked his expulsion with his political activities.

¶10. Neo-Nazi Activist Sentenced to Jail

A Gomel district court sentenced January 8 an alleged neo-Nazi to four years and a month in a medium security jail for stabbing an ultra-nationalist Russian National Unity activist in July ¶2008. The convict reportedly denied his membership in the neo-Nazi group though he has a criminal record of severe hooliganism and illegal possession of weapons.

¶11. Court Dismissed Opposition Youth Activist's Appeal

The Minsk city court dismissed January 13 an appeal by opposition youth Alyaksandr Barazanka, who was convicted for participating in the unsanctioned entrepreneurs' demonstration on January 10, 2008. Barazanka was sentenced on December 9, 2008, to a year of "restricted freedom" a form of "khimiya" served at home.

¶12. Malady Front Leader Forcibly Drafted

On January 12, Soligorsk-based Malady Front Deputy Chairman Ivan Shylo was forcibly transported to a local draft office, examined by doctors, and conscripted into the army. A television crew captured the event on camera. Shylo linked his forced drafting with his political activities and said he is expecting to start military service on January 18.

¶13. Malady Front Activist Wanted for Draft Evasion

Human rights portals reported January 15 that the police have opened a criminal case against MF activist Sergey Guminskiy on alleged draft evasion charges. Guminskiy, currently a student in Poland, is now on the wanted list and could be tried in court if arrested.

Domestic Economy

¶14. Hard Currency Reserves Down 26.8 Percent in 2008

The National Statistics Committee and the National Bank reported on January 6 that Belarus' hard currency reserves calculated by IMF standards decreased in December 2009 by USD 714 million. As of January 1, 2009, total reserves were USD 3.1 billion including the stabilization loan of USD 1 billion issued by Russia in November 2008. The reserves were USD 4.2 billion on January 1, 2008.

¶15. National Bank Devalues Ruble, Raises Refinance Rate

The National Bank issued a press release on January 1 announcing

MINSK 00000022 003.2 OF 004

a 20.5 percent devaluation of the Belarusian ruble (BR) against the USD effective January 2 and a 2 percent increase in the refinance rate effective January 8. The latter move is reportedly aimed at increasing the BR's stability and the profitability of saving deposits in BR. Many Belarusians expressed their skepticism by lining up at banks to convert deposits in BR to hard currencies. The refinance rate is the National Bank's interest on loans issued to domestic banks.

¶16. Retail Prices on Most Imported Products up 20 Percent

Various Belarusian media reports and anecdotal evidence suggest that retail prices on the majority of imported products, particularly those sold by market vendors, have increased 20 percent since late December 2008. Prices for Belarusian-made products remain the same while demand, especially on high-tech products, has grown immensely. Both retail and wholesale businesses are expected to increase prices in BR soon to offset

the 20.5 percent depreciation of the national currency as well as potential risks, such as further depreciation.

17. National Bank Dismisses Redenomination and Other Rumors

Chairman of the Board of the National Bank Pyotr Prokopovich dismissed rumors on January 12 of plans for redenomination of the Belarusian ruble (BYR), another sharp devaluation, freezing savings accounts and a transition to the Russian ruble (RUR). He admitted that some Belarusians trusted these rumors, which were spread by people "who would like to destabilize the situation." He said that both redenomination and transition to RUR would take a long time and cannot be performed overnight. Prokopovich urged Belarusians, who, according to various estimates, possess 2-20 billion in cash in various hard currencies, to open savings accounts in Belarusian banks. He expressed confidence that the country's banking system is strong and stable. Speaking to journalists on January 13, Lukashenko also dismissed redenomination and devaluation rumors though said nothing about the potential freezing of accounts or a transition to the RUR.

18. Belaruskaliy Urges Workers to Take Partially-Paid Leave

According to news reports, Belarus' manufacturer of potassium fertilizers and the country's largest source of export revenues Belaruskaliy urged its workers take partially-paid leave for varying periods of time because three of the factory's four divisions have suspended operations due to falling demand. The Independent Union of Miners maintains that none of the factory's twenty thousand workers have been forced to stop working and those who choose to take leave are paid two-thirds of their monthly wage. Anecdotally, post has heard of many other Belarusian businesses that sent their workers on unpaid leave of several weeks over the holiday season.

19. Lukashenko claims Venezuela issued USD 0.5 billion loan to Belarus

Speaking to journalists at a trolleybus and tramway production facility in Minsk on January 13, President Lukashenko said that Venezuela has issued a loan of USD 0.5 billion to Belarus. He did not specify the terms or timeline of the loan but opined that together with Russia's USD 2 billion loan and the IMF's USD 2.46 billion Stand-By Agreement (SBA), this loan will help to strengthen the national currency and support industry. Lukashenko believes the IMF's SBA will send the right message to other potential international lenders.

21. GOB GDP Forecasts Differ From IMF Estimates

Belarus' National Statistic Committee reported on January 13 that the country's GDP in 2008 grew 10 percent on the year to an equivalent of USD 48.6 billion. The GOB foresees 4 to 5 percent GDP growth in the first three months of 2009 and expects it to increase to 10 to 12 by the end of the year. According to IMF assessments, Belarus' GDP growth will be 1.4 percent in 2009 and 2.3 percent in 2010. The Statistics Committee reported industrial growth of 10.8 percent and agricultural growth of 8.9 percent in 2008.

Foreign Trade

22. Natural Gas Transit Facilities Operate at Full Capacity

According to media reports, Gazprom's Chairman of the Board Alexei Miller told Russian PM Vladimir Putin on January 6 that natural gas transit facilities in Belarus and Poland are currently operating at full capacity. This partially makes up for natural gas supplies which consumers in Central and Western Europe expected but failed to receive via Ukraine since the start of the year.

23. Lukashenko and Gazprom Optimistic About Natural Gas Price in

2009

Speaking to regional government officials in Mogilev on December 31, Lukashenka reiterated that Belarus will pay a reasonable price for Russian natural gas in 2009. He believes the price will be high in the first quarter but will fall three-fold by the end of the year, resulting in an average that is acceptable to Belarus. Gazprom's Deputy Chairman Alexander Medvedev said at a news conference the same day that relations with Belarus, particularly in the context of problems with Ukraine, are quite good. Belarus and Gazprom allegedly still have time to discuss the new price formula as the parties have a working mechanism to secure retroactive payments.

Quote of the Week

[¶24](#). Speaking at Russian Orthodox Christmas festivities in Minsk on January 7 Lukashenka said:

"There is no crisis in this country. Everything depends on us, and we will do everything to become strong and wealthy ...[The authorities] have done a lot, and now everything depends on the people...We will not deceive you and, above all, I will not do so. We will tell you the bitter truth even if it is bitter~ If hard times are ahead of us, we will let you know...The current situation gives us no reason to panic."

MILLER